

EMBARGOED

*until June 18, 2013 10:00 am PDT when it will be published at
www.erfc.wa.gov*

Revenue Review Meeting

June 18, 2013



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

REVENUE REVIEW MEETING

June 18, 2013
10:00 a.m.

- Call to order
- Approval of meeting minutes: March 20, 2013
- Approval of meeting minutes: June 6, 2013
- Revenue forecast
- Adoption of the Official Forecast

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

Meeting Minutes Revenue Review

March 20, 2013

John L. O'Brien, Hearing Room A

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair
Andy Hill, Senate
Jim Hargrove, Senate
Terry Nealey, House of Representatives
Carol Nelson, Department of Revenue
David Schumacher, Office of Financial Management

Staff

Steve Lerch, Executive Director,
ERFC

Call to Order

The meeting was called to order by Representative Hunter at 12:03 pm.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from the March 7, 2013 meeting, seconded by Representative Hunter. Council approved the motion at 12:04 pm.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from the January 31, 2013 meeting, seconded by Representative Hunter. Council approved the motion at 12:04 pm.

Presentation on Revenue Forecast

Dr. Lerch presented information on the economic and revenue forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies.

Motion

Senator Hill moved, seconded by Representative Hunter that the baseline revenue forecast be adopted. Council unanimously approved the motion at 12:22 pm.

Adjournment

Meeting adjourned at 12:23 pm.



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**Meeting Minutes
Economic Review**

June 6, 2013

John L. O'Brien, Hearing Room E

Economic and Revenue Forecast Council

Members Present

Ross Hunter, House of Representatives, Chair
Jim McIntire, Treasurer
Carol Nelson, Department of Revenue

Staff

Steve Lerch, Executive Director,
ERFC

Call to Order

The meeting was called to order by Treasurer McIntire at 2:54 pm. It was noted that a quorum is not established for this meeting so all motions are tabled until June 18, 2013 meeting.

Presentation on Economic Forecast

Dr. Lerch presented information on the economic forecast. Dr. Lerch summarized the forecast changes and provided background information on both the U.S. and Washington economies. Discussion ensued regarding agricultural exports, particularly wheat exports to trading partners.

Adjournment

Meeting adjourned at 3:15 pm.

**Economic & Revenue Forecast Council
State of Washington**



Revenue Review: June 18, 2013

United States

- Since the preliminary June economic forecast, employment and unemployment data for May have been released. The unemployment rate increased from 7.5% in April to 7.6% in May, primarily due to an increase of 420,000 people in the labor force. Nonfarm payroll employment (private sector and government) in the U.S. increased by 175,000 jobs in May, while March and April data were revised downward by a combined 12,000 jobs. Notable employment gains in May occurred in professional and business services (57,000, of which 26,000 were increases in temporary help services), food services and drinking places (38,000), retail trade (28,000) and health care (11,000). Federal government employment decreased by 14,000 jobs in May and has declined by 45,000 jobs in the last three months.
- The University of Michigan consumer sentiment survey for June was also released since the preliminary June economic forecast. After a large gain in May, the index dropped 1.8 points to 82.7 in June. While consumer views about the current state of the economy have wavered, the survey did indicate a more positive outlook regarding where the economy is headed.
- Across-the-board federal budget cuts ("sequester") went into effect on March 1st. The revised economic forecast assumes the sequester will remain in effect through December 31st and then be replaced by a mix of budget cuts to entitlement and non-defense discretionary programs as well as tax increases. This new deficit reduction package will take effect in January 2014 and achieve the remainder of the \$1.2 billion target mandated by the Budget Control Act but over two additional years (by 2023 instead of 2021).
- Retail sales slowed in March and April but rebounded in May. Seasonally adjusted May retail sales (including food services) were 0.6% over their April level; half of this gain was due to auto and auto parts sales.
- The second estimate of real U.S. Gross Domestic Product (GDP) growth for the first quarter of 2013 was revised down slightly from 2.5% to 2.4% at a seasonally adjusted annual rate. Growth in consumer spending and business expenditures on equipment and software were revised up, while government and business construction spending were revised down.
- Industrial production in May showed no growth (SA) compared to April activity but was 1.6% higher than in May 2012. Manufacturing activity, as measured by the Institute for Supply Management's Purchasing Managers Index (PMI), had been expanding for five consecutive months through April. However, the May PMI reading of 49.0 (50 or higher indicates growth) indicates that what had been a fairly moderate expansion has reversed course. The non-manufacturing PMI increased by 0.6 points to 53.7 in May and has remained above 50 for 41 straight months. Core capital goods orders (i.e., durables excluding aircraft and military) which are a proxy for business investment, increased 1.2% (SA) in April after increasing by a revised 1.1% in March and decreasing by 4.8% in February.

- May light motor vehicle (LMV) sales were 15.2 million units (SAAR), rebounding from 14.9 million in April, which was the weakest sales month since October 2012. May sales were 9.7% above the May 2012 level.
- Petroleum spot prices have trended up slightly in the last month. West Texas Intermediate (WTI) prices have increased from \$93 per barrel in early May to \$94 for the week ending June 7th; Brent prices also increased about \$1 per barrel to \$103 over the same period. Retail gasoline prices have also increased in the last month, from \$3.54 per gallon (regular, all formulations) in early May to \$3.66 per gallon for the week ending June 10th.
- Eurozone economic growth has been negative for six consecutive quarters through the first quarter of 2013. The unemployment rate reached 12.2% in April, with the youth unemployment rate exceeding 50% in some Eurozone countries. Weakness in Eurozone economies means reduced demand for U.S. exports as well as continued difficulties in addressing their sovereign debt and banking crises. As a result, Europe continues to pose a substantial risk to the U.S. economy.
- Data from the housing market continue to be positive. Existing home sales increased 0.6% (SAAR) in April compared to February and are at their highest level since November 2009 despite low inventories in many markets. April new home sales increased by 2.3% from March sales (SAAR) and are 29.0% above the year-ago level. The seasonally adjusted Case-Shiller 20-city home price index has now increased for twelve consecutive months through March 2013. The index is now 10.9% above the year-ago level (SA). Seasonally adjusted housing starts in April were 16.5% below their March level but 13.1% above the April 2012 level. April housing permits were 14.3% (SAAR) above March and 35.8% above their year-ago level.
- The American Trucking Association's truck tonnage index decreased 0.2% (SA) in April after having increased by 0.9% in March. However, April tonnage was still up 4.3% on a year-over year basis. Rail carloads were 2.8% higher (SA) in May than in April; their first year-over-year increase in 16 months. Intermodal units (shipping containers or truck trailers) were 1.1% higher (SA) in May than in April.

Washington

- In the two months since the March forecast was adopted, the Washington economy added 4,600 jobs, 4,700 fewer than the 9,400 expected in the March forecast. We have also incorporated another quarter of Quarterly Census of Payrolls and Employment (QCEW) benchmark employment data. The new QCEW data and other revisions raised the level of total employment in February 2013 by 9,000. As a result of the upward revisions to history and weaker than expected growth, the net effect is 4,300 (0.2%) more jobs in April 2013 than expected in the March forecast. Manufacturing employment declined 300 from February to April. The forecast had expected an increase of 1,000 manufacturing jobs. However, construction employment grew 1,300 compared to our March forecast of 1,000 net new construction jobs. Government employment remained weak with a loss of 800 jobs during the last two months.

- Our forecast for Washington employment is similar to the forecast adopted in March. The main change on the downside is a greater decline in aerospace employment. We now expect a decline of 3,500 jobs from December 2012 to December 2013 compared to a reduction of 1,300 jobs in the March forecast. As of April 2013, aerospace employment has already declined 900 since December. We have also slightly increased the rate of decline from 2014 through 2017. While we have assumed a more negative outlook for aerospace employment, we continue to believe that this downturn will be relatively mild due to the hefty backlog of orders. The current reductions are due to improvements in productivity. The steep cuts in the past have been associated with production cuts which we do not expect over the next few years. On the upside, construction employment is stronger than expected in March, reflecting a faster recovery in housing.
- The new Quarterly Census of Payrolls and Employment (QCEW) data for the fourth quarter of 2012 showed that Washington wages were higher than believed in the March forecast. As a result, we have raised our forecast for Washington personal income by \$2.0 billion (0.6%) in 2013.
- Once again, housing has surprised us on the upside. Total housing units authorized by building permits averaged 36,000 (SAAR) in the first quarter of 2013, up from 31,000 in the fourth quarter. The March forecast had assumed 33,700 units in the first quarter. Housing hasn't been this strong in Washington since the fourth quarter of 2007. The positive forecast variance in housing was due to the volatile multi-family segment. Single-family permits averaged 18,900 (SAAR) units in the first quarter of 2013, slightly below our forecast of 19,500 units, but multi-family permits came in at 17,200 units (SAAR) which was much higher than our forecast of 14,100 units. Multi-family permits have recovered from unprecedented lows to where they are now in a normal range. Single-family permits still have a long way to go. As a result of the recent strength in housing, we have again raised our housing forecast for 2013 through 2017.
- The recovery in home prices continued in early 2013 according to the S&P/Case-Shiller Home Price Indices. Seasonally adjusted Seattle area home prices increased a strong 2.6% (not annualized) in March 2013, following a 0.5% increase in February and a 1.2% increase in January. Seattle home prices have risen in 12 of the last 13 months and are up 10.6% over the previous March. Nationally, the composite-20 December home price index was up 10.9% over the year.
- Washington light vehicle sales rose in May for the first time since a huge jump in January. There were 249,800 (SAAR) new vehicle registrations in May, up 1.5% from April but down 8.9% since January. We believe the trend in car and truck sales is still positive, driven by replacement demand. Washington new vehicle registrations in May were 4.0% higher than in the previous year.
- Washington exports grew 7.0% from the first quarter of 2012 to the first quarter of 2013, down from 14.9% in the fourth quarter of 2012. The slowdown in growth was due to transportation equipment (mostly Boeing planes) which slowed from 24.4% year-over-year growth in the fourth quarter to 5.6% growth in the first quarter. Excluding transportation equipment,

year-over-year export growth improved to 8.3% in the first quarter from 6.5% in the fourth quarter.

- Growth in the manufacturing sector has slowed according to the Institute of Supply Management - Western Washington Index (ISM-WW). The index, which measures strength in the manufacturing sector, declined to 53.7 in May from 59.5 in April and 65.4 in March (above 50 indicates positive growth). The last time the Western Washington index was below 50 was in July 2009. Aerospace employment, which had been responsible for much of the strength in manufacturing during the recovery, is now in decline.
- Inflation in the Seattle metropolitan area remained moderate in early 2013. The all items Seattle CPI rose at a 1.5% seasonally adjusted annual rate (SAAR) in the first four months of 2013 compared to 0.5% for the U.S. city average. Seattle core inflation (excluding food and energy) averaged 2.0% in early 2013 compared to the national average of 1.8%.
- Overall, our preliminary June forecast of Washington employment is slightly higher in 2013 due to historical data revisions. Growth is weaker during the second half of this year and early next year as a result of greater fiscal headwinds from the federal government and a larger decline in aerospace employment, partially offset by stronger construction employment growth. Over the entire period from 2013 through 2017, the new Washington employment growth forecast averages 1.8% per year, the same rate as in the March forecast. Our new forecast for personal income growth averages 4.7% per year in 2013 through 2017 compared to 4.8% per year in the March forecast. Personal income growth in 2013 is higher due to the newly available QCEW wage data but growth during the remainder of the forecast is lower than in the March forecast.

Revenue

- Revenue collections have been coming in ahead of the March forecast. Cumulative General Fund-State (GF-S) revenue collections through mid-June were \$118 million (3%) higher than forecasted. Most of the positive variance came from Revenue Act and real estate excise taxes. About \$20 million of the positive variance, however, came from earlier-than expected payments in property, cigarette, and public utility district taxes, which decreased forecasted collections in those categories for the rest of the fiscal year.
- The March forecast had expected a slowdown in the growth of Revenue Act taxes in the first quarter of 2013 due to the expiration of the payroll tax cut in January. The growth rate of the taxes, however, did not slow. As a result, Revenue Act taxes (adjusted for large payments and refunds) came in \$54 million (2%) above the forecast.
- Real estate excise taxes came in \$34 million (34%) higher than forecasted due to continued strength in sales of commercial property coupled with stronger-than-forecasted growth in the residential market. The March forecast had expected a larger slowdown in the commercial market after the huge tax-law-influenced rush in the fourth quarter of 2012.

- For the remainder of the 2011-13 biennium, the forecast of collections from Department of Revenue (DOR) sources has been reduced by \$5 million, due mainly to the early payments mentioned above. Forecasted revenue from non-DOR sources has been reduced by \$3 million for the remainder of the biennium. Combined with the positive variance in collections, the net June forecast change is a \$110 million increase from the March forecast, with total GF-S revenue now forecasted at \$30.647 billion.
- The differences in the June economic forecast compared to the March forecast were slight. An increase in forecasted housing construction increased the revenue forecast while lower forecasted inflation and employment worked to lower the forecast. The net result of these changes was relatively small. The forecast for the 2013-15 biennium was increased by \$121 million and the forecast for the 2015-17 biennium was increased by \$51 million. Forecasted GF-S revenue is now \$32.662 billion for the 2013-15 biennium and \$35.357 billion for the 2015-17 biennium.
- Non-economic changes due to legislation passed in the 2013 regular and first special sessions were slight, amounting to less than \$200,000 for all three biennia combined. Other non-economic changes had a bigger impact: two large refunds expected to be issued this calendar year subtracted \$55 million from the forecast for the 2013-15 biennium and the initial estimate of a transfer of revenue out of the General-Fund State that stemmed from earlier legislation subtracted \$8 million from the 2015-17 biennium.
- Due to continued uncertainty about the response of the Federal Government to Initiative 502, the forecast once again assumes no additional revenue from taxation of the sale of marijuana.

Downside Risks:

- Partisan gridlock continues in Washington, D.C., with further budget cuts and no “grand bargain” on taxes and spending.
- The European recession becomes more severe, interest rates rise for Spanish and Italian bonds, and Greece exits the Eurozone in early 2014.
- A hard landing in China reduces global economic growth, reducing U.S. exports and increasing unemployment.
- The civil war in Syria expands, negatively impacting oil production and transportation.
- Unexpected events – natural disasters, political upheaval, etc.

Upside Risks:

- Congress replaces the sequester in late 2013 with a credible, long-term deficit-reduction plan.
- The housing market and overall construction activity improve faster than anticipated.

- Business and consumer confidence rise and underlying pent-up demand continues to drive the recovery.
- The labor market improves, with unemployment dropping below 7% in early 2014 and approaches 6.5% by mid-2014.
- The Eurozone takes decisive steps towards a banking and fiscal union that stabilizes markets.
- Chinese economic growth accelerates, driven by rising domestic consumer demand.

Revenue Review

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Chief Economist & Executive Director

June 18, 2013
Olympia, Washington



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- The updated economic forecast is very similar to the March forecast, with little change to U.S. GDP but higher Washington housing permits
- Uncertainty in the baseline remains very high, mostly due to on-going concerns about Europe, China, and Federal fiscal policy
- Washington employment has been slowly increasing in most sectors; aerospace and the Federal government are notable exceptions
- This forecast increases expected GF-S revenue by \$110 million in the 2011-13 biennium and \$121 million in the 2013-15 biennium

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New information since preliminary economic forecast

New 1st quarter 2013 U.S. personal income data

- Weaker growth than in preliminary forecast

New Blue Chip forecast for real GDP growth

- 2013 & 2014 growth rates each 0.1% lower

U.S. employment change in May

- 175,000; roughly equals average monthly change since January 2012

U.S. unemployment rate in May

- Increased from 7.5% to 7.6%

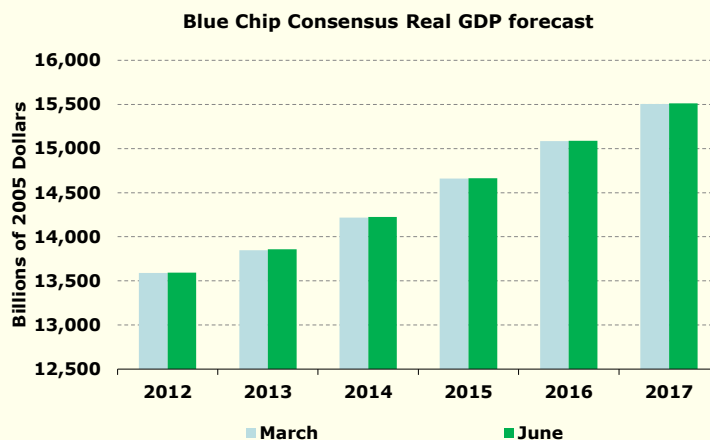
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U.S. GDP Forecast essentially unchanged



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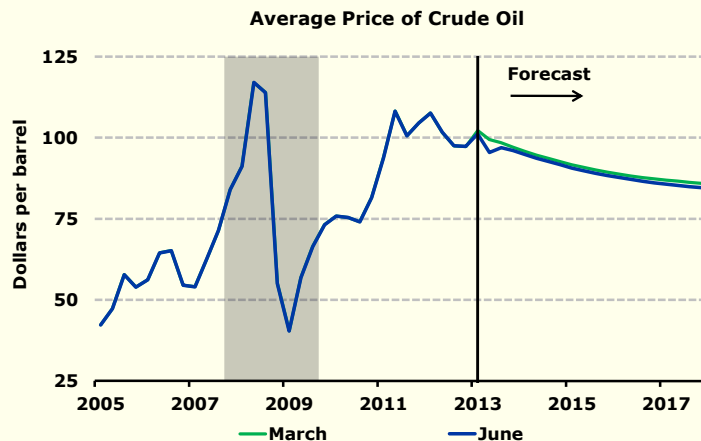
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Source: BEA, Blue Chip Economic Indicators June 2013; historical data through 2012

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Oil prices are expected to be slightly lower



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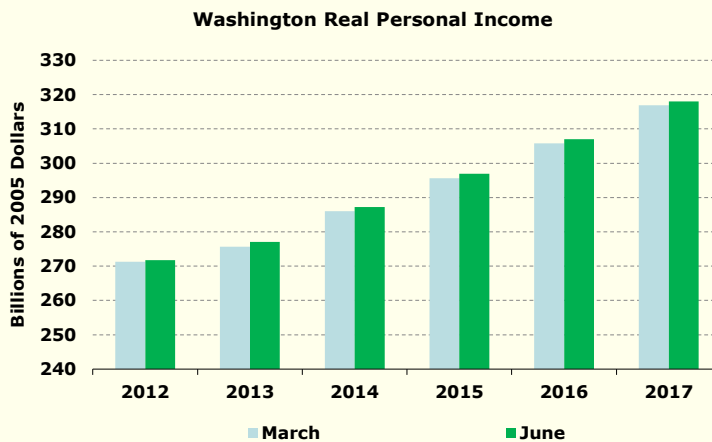
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Source: DOE, ERFC June 2013 forecast; historical data through 2013Q1

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WA Real Personal Income Forecast Slightly Higher



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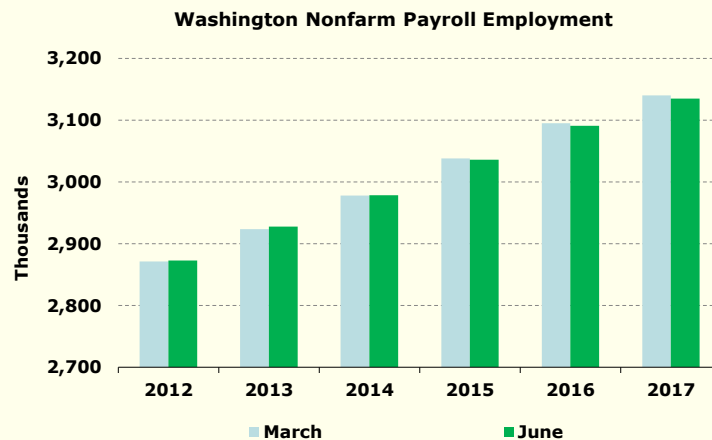
Slide 5

Source: BEA, ERFC June 2013 Forecast; historical data through 2012

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Washington Payroll Employment Forecast is Slightly Lower



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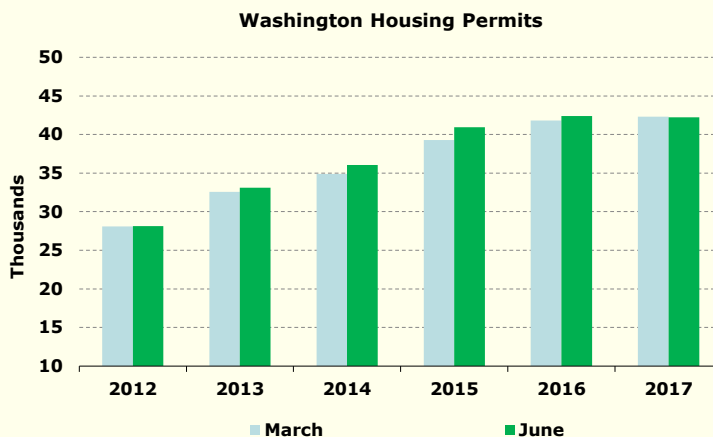
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Source: ERFC June 2013 forecast; historical data through 2012

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Washington Housing Permits Forecast is Slightly Higher



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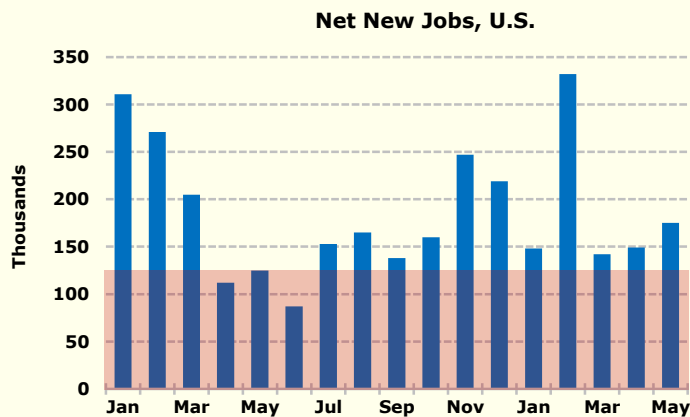
Source: ERFC June 2013 forecast; historical data through 2012

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Job growth remains modest

The economy needs to add roughly 125K jobs each month just to keep up with growth in the labor force



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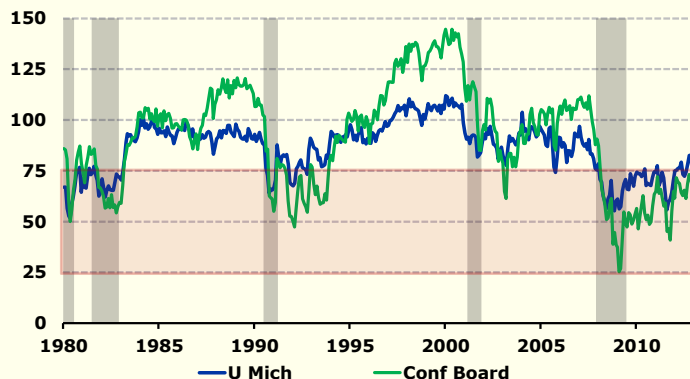
Source: Bureau of Labor Statistics, data through May 2013

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Consumer confidence is beginning to strengthen

Index
Mich: 1966Q1 = 100, SA
Conf Board: 1985 = 100, SA



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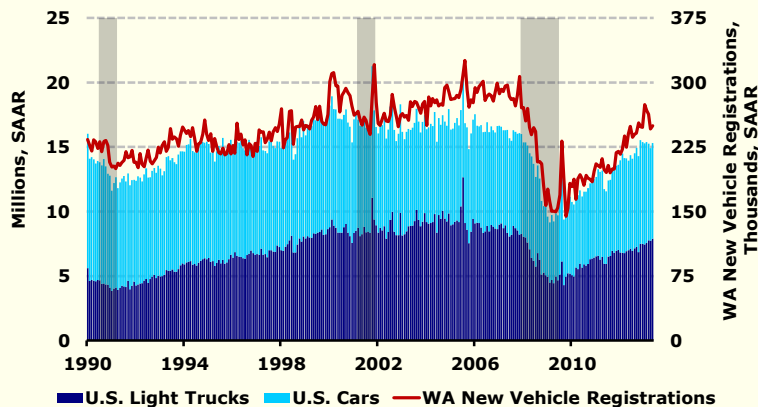
Source: University of Michigan; Conference Board, data through May 2013

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Vehicle sales continue their upward trend

WA new vehicle registrations in May were up 4% year-over-year.



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Source: Autodata Corporation, WA DOL; data through May 2013

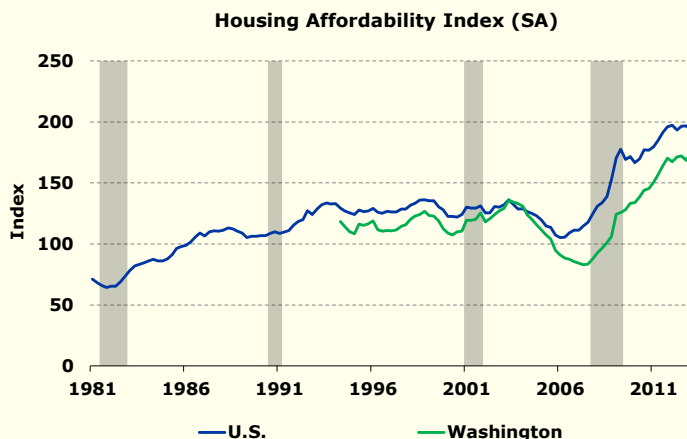
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Home affordability remains in record territory

Affordability is 100 when the median income can just afford the median priced home. Above 100 means the median income can afford more than the median priced home

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Source: National Association of Realtors, Global Insight, Washington Center for Real Estate Research, ERFC; data through 2013 Q1

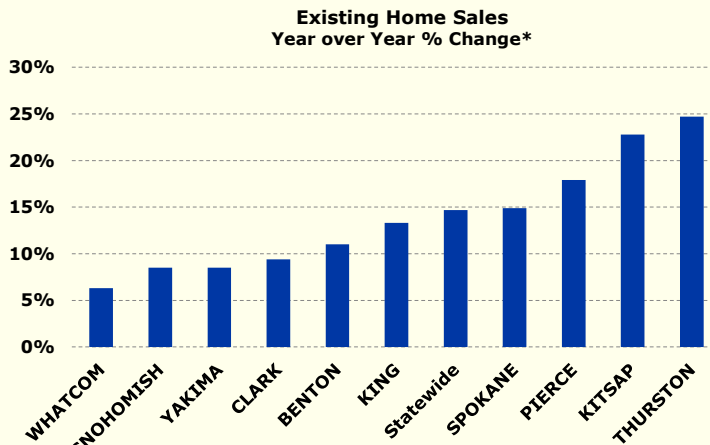
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Strong growth in existing home sales statewide

*Ten counties with highest existing home sales, 2013Q1

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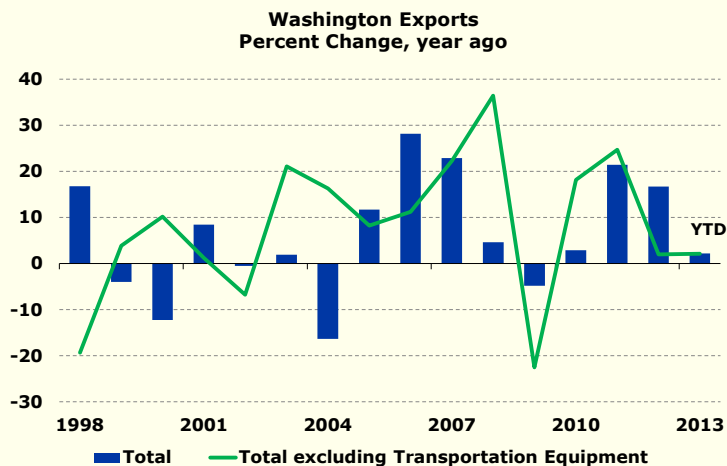


Source: WA Center for Real Estate Research, ERFC; 2012Q4 data

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WA export growth has slowed

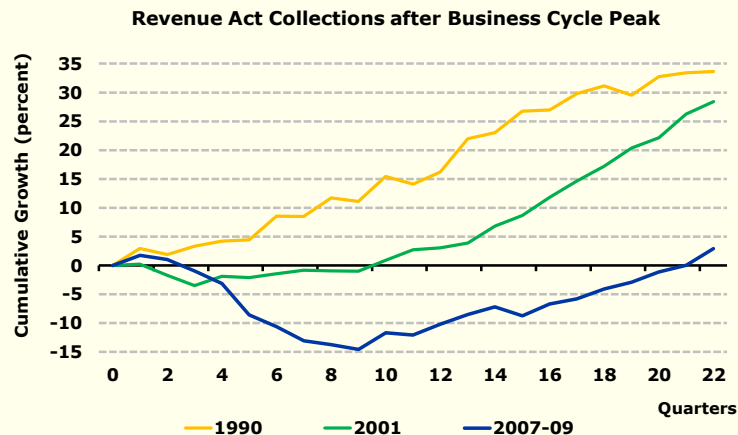


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Revenue collections have been weak compared to past recoveries



Revenue Act collections have now exceeded their previous peak reached in Q1 2008

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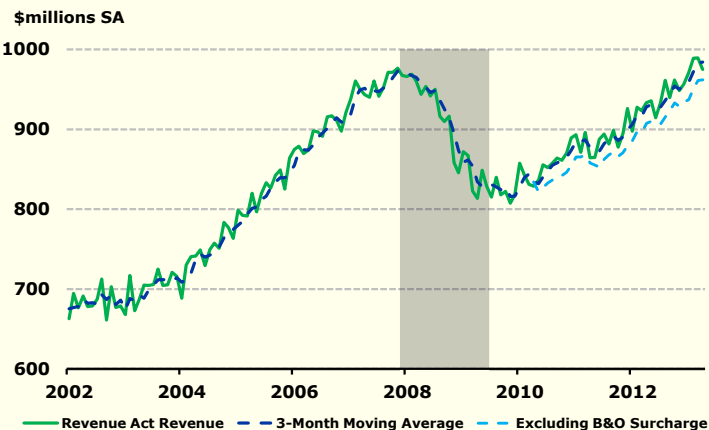
New all-time high in Revenue Act collections is only temporary

Revenue Act collections in April and May exceeded the January 2008 pre-recession peak

Due to the expiration of the B&O service tax surcharge in July, however, collections are not forecasted to exceed the peak again until the fall

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* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act

Source: DOR and ERFC; monthly data through April 2013 preliminary activity

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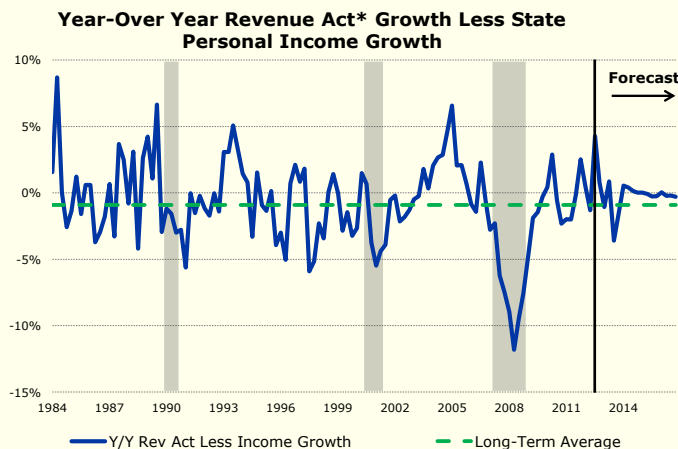
Forecasted Revenue Act growth relative to income is above the long-term average

The main reason that Revenue Act growth compared to income growth is forecasted to be above average is increasing construction activity

The dip in the chart in mid-2013 through mid-2014 is due to the expiration of the B&O service tax surcharge

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*Adjusted for large one-time payments and refunds and payments under the amnesty program

Source: ERFC; Quarterly revenue data through Q1 2013, June 2013 income estimates

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Construction contributes more to the GF-S than to Gross State Product

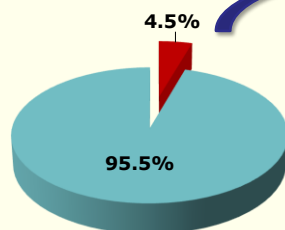
1997 – 2004
Average

Excludes
housing boom
and bust
years

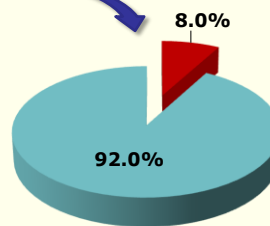
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Gross State Product



General Fund Revenue



■ Construction

■ All Other

Source: Bureau of Economic Analysis, ERFC

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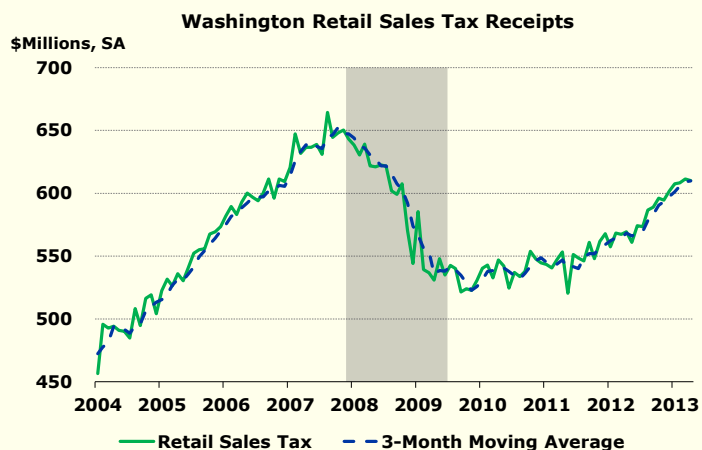


Retail sales tax growth is improving

As forecasted,
the growth
rate of retail
sales tax has
begun to
improve due
mainly to
increasing
revenue from
construction
materials and
labor

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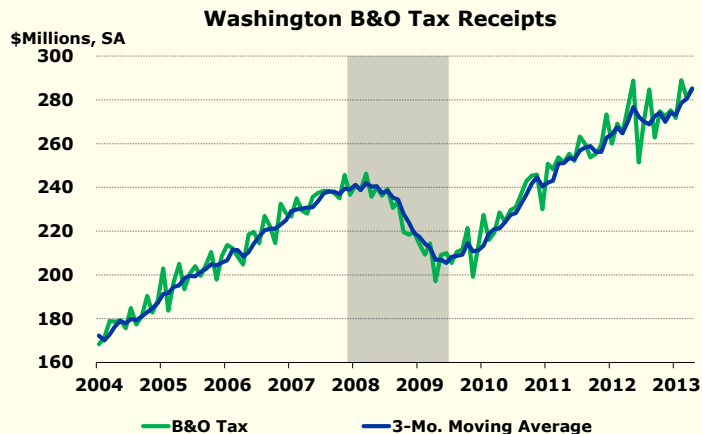


Adjusted for large payments/refunds, amnesty payments and taxpayer reporting frequency change
Source: ERFC; Monthly data through April 2013 preliminary activity

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B&O tax receipts resumed growth after a slow fourth quarter of 2012



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Source: ERFC; Monthly data through April 2013 preliminary activity
Adjusted for taxpayer frequency shift, amnesty payments, and recent large refunds

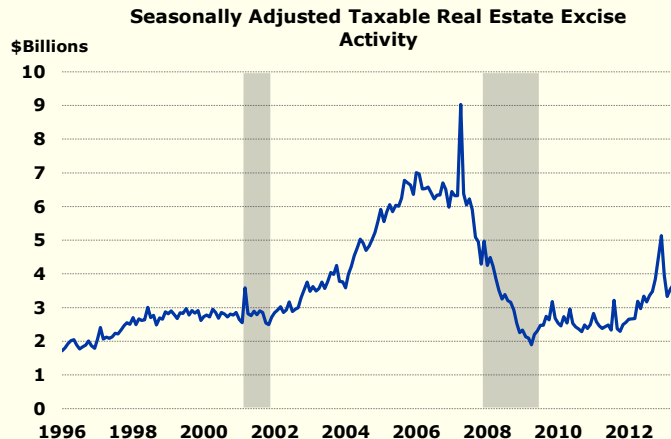
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REET activity continues to grow after commercial sales spike

Despite the year-end rush in sales of commercial property due to federal tax changes, commercial sales are still strong, totaling over \$500 million in May

Residential prices and sales volume are also increasing



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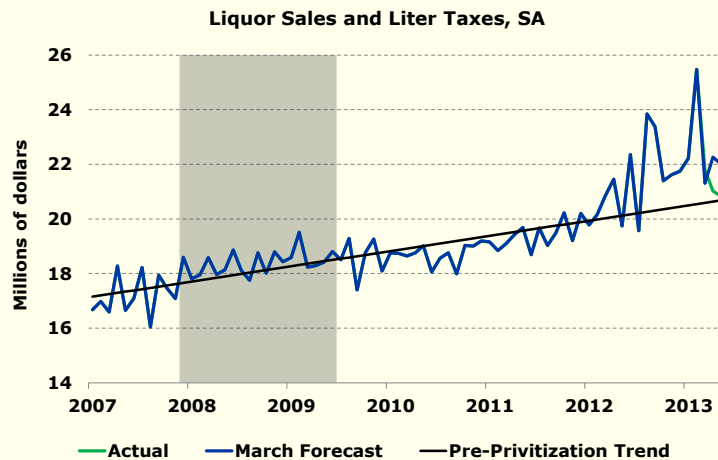
Source: ERFC; Monthly data through May 2013 preliminary

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Revenue for liquor sales has been volatile recently

Revenue was \$2.1 million (3.6%) below the March forecast



Source: DOR, ERFC; data through May 2013

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Forecast changes: General Fund State, 2011-2013 Biennium

March Forecast:
\$30,536 million

USD millions	June Forecast			
	<u>Collection Experience</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$118	(\$5)	\$29,038	\$113
All other agencies	\$0	(\$3)	\$1,608	(\$3)
Total GF-S	\$118	(\$8)	\$30,646	\$110

* Detail may not add to total due to rounding

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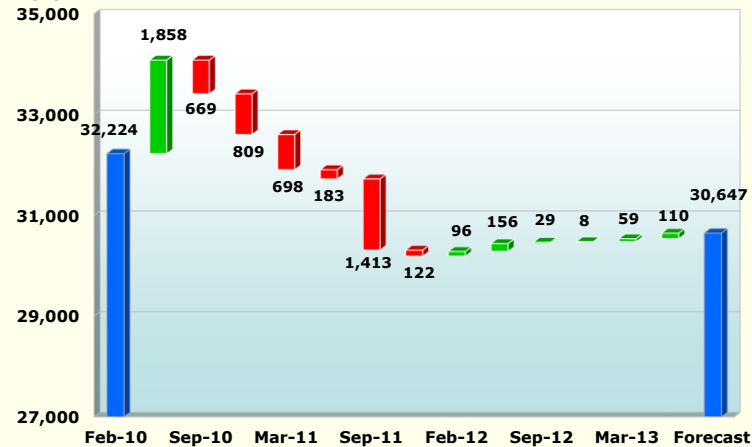


Forecast revisions to the 2011-13 biennium

GF-S
New
Definition

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USD,
millions



Source: ERFC June 2013 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: General Fund State, 2013-2015 Biennium

March
Forecast:
\$32,541
million

Revenue Review
June 18, 2013
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USD
millions

June Forecast

	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	(\$55)	\$156	\$31,065	\$101
All other agencies	\$0	\$20	\$1,598	\$20
Total GF-S	(\$55)	\$176	\$32,662	\$121

* Detail may not add to total due to rounding

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

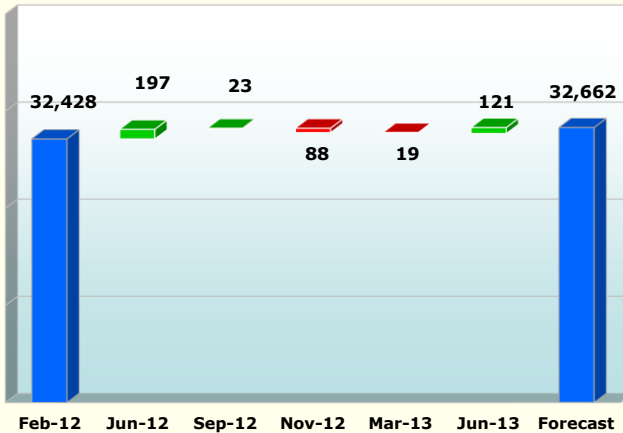


Forecast revisions to the 2013-15 biennium

GF-S
New
Definition

Revenue Review
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USD,
millions



Source: ERFC June 2013 forecast

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Forecast changes: General Fund State, 2015-2017 Biennium

March
Forecast:
\$35,306
million

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USD
millions

	June Forecast			
	<u>Non-economic Change</u>	<u>Forecast Change</u>	<u>Forecast</u>	<u>Total Change*</u>
Dept. of Revenue	\$0	\$56	\$33,870	\$56
All other agencies	(\$8)	\$2	\$1,487	(\$5)
Total GF-S	(\$8)	\$58	\$35,357	\$51

* Detail may not add to total due to rounding

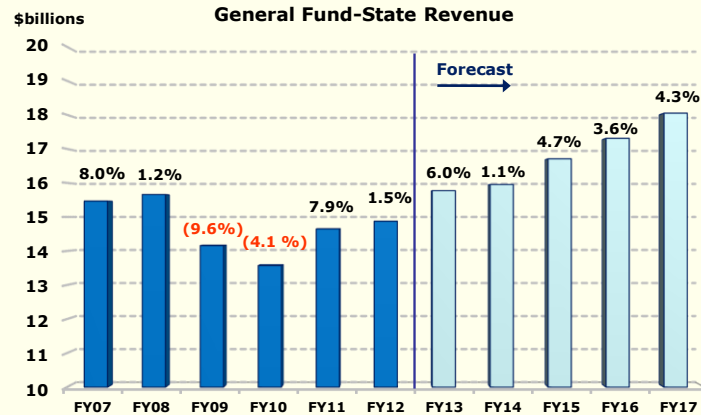
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



General Fund* forecast by fiscal year

FY 2011 revenues were boosted by the tax amnesty program and one-time transfers of non-GF-S funds into the GF-S

Revenue Review
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*General Fund & Related Funds for FY 07-09, General Fund – new definition for FY 10-17
Source: ERFC forecast, June 2013

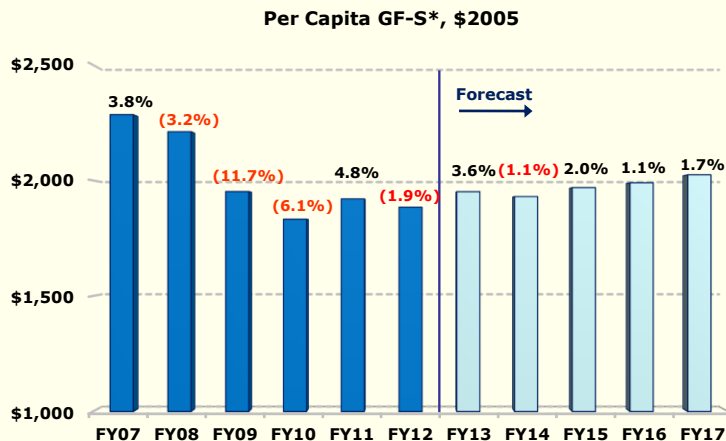
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Real Per Capita General Fund*-State Revenue

* General Fund & Related Funds for FY 2007-2009, General Fund – new definition, for FY 2010-2017

Revenue Review
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Source: ERFC forecast, June 2013

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Near General Fund and Lottery revenue

Lottery	March	June	Change
2011-13	263.2	274.3	11.0
2013-15	252.9	257.2	4.9
2015-17	260.9	258.9	(3.2)

Near GF	March	June	Change
2011-13	236.5	224.6	(11.9)
2013-15	100.5	256.3	156.3
2015-17	187.9	262.6	74.7

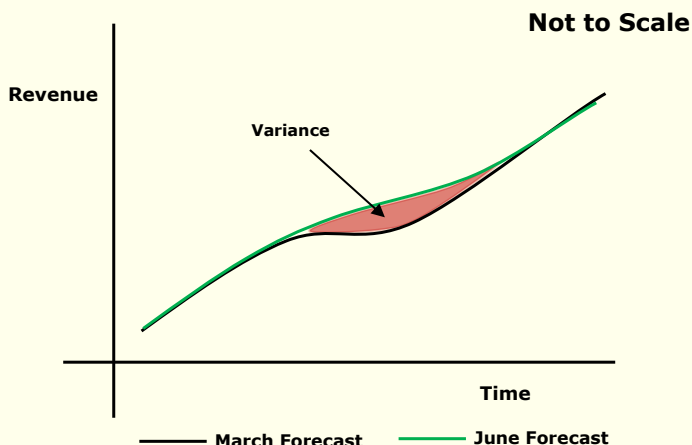
Revenue Review
June 18, 2013
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Source: WA Lottery, DOR, ERFC; historical data through 2012

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Repeal of 2% payroll tax impacted revenue less than assumed in March



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Source: ERFC

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



2011-13 Biennium alternative forecasts – cash basis

\$Millions	2011-13 Biennium	Difference From the baseline
June 2013 Baseline (50%)	\$30,647	
<u>June 2013 Alternative Forecasts</u>		
Optimistic (20%)	\$30,724	\$77
Pessimistic (30%)	\$30,573	(\$73)
Probability Weighted Average	\$30,640	(\$6)
GCEA*	\$30,657	\$10

*Based on the Governor's Council of Economic Advisors' assumptions

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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2013-15 Biennium alternative forecasts – cash basis

\$Millions	2013-15 Biennium	Difference From the baseline
June 2013 Baseline (50%)	\$32,662	
<u>June 2013 Alternative Forecasts</u>		
Optimistic (20%)	\$35,175	\$2,513
Pessimistic (30%)	\$30,184	(\$2,478)
Probability Weighted Average	\$32,421	(\$241)
GCEA*	\$32,812	\$149

*Based on the Governor's Council of Economic Advisors' assumptions

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Conclusion

- The forecast for the 2011-13 Biennium is \$110 million higher than in March
- The forecast for the 2013-15 Biennium is \$121 million higher than in March
- Revenues are expected to grow 8.6% between the 2009-11 and 2011-13 biennium and 6.6% between the 2011-13 and 2013-15 biennium
- We continue to forecast slow economic and job growth for both the national and state economies
- The level of uncertainty in the baseline remains extremely high, and downside risks outweigh upside risks

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Questions



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June 18, 2013

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Economic & Revenue Forecast Council
1025 E. Union Avenue, Suite 544
Olympia WA 98504-0912

www.erfc.wa.gov
360-534-1560

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the June 2013 to the March 2013 Forecast

2011-13 Biennium

Millions of Dollars

	March 2013 <u>Forecast*</u>	Collection <u>Experience**</u>	Non-economic <u>Changes***</u>	Forecast <u>Change</u>	June 2013 <u>Forecast</u>	Total <u>Change[#]</u>
Department of Revenue	\$28,925.5	\$117.5	(\$0.0)	(\$4.6)	\$29,038.3	\$112.8
All other Agencies	\$1,610.8	\$0.4	\$0.0	(\$3.0)	\$1,608.2	(\$2.5)
Total General Fund-State	\$30,536.2	\$117.9	(\$0.0)	(\$7.6)	\$30,646.6	\$110.3

*Forecast for GF-S for the 2011-13 biennium adopted March 2013

**Includes \$8.5 million refund that occurred after the June 11, 2013 collection report

***Impacts of new legislation subtracted \$29,000 from the forecast

[#]Details may not add due to rounding

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the June 2013 to the March 2013 Forecast
2013-15 Biennium
Millions of Dollars

	<u>March 2013 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2013 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$30,963.3	(\$55.0)	\$156.2	\$31,064.5	\$101.2
All other Agencies	\$1,578.1	\$0.0	\$19.6	\$1,597.7	\$19.6
Total General Fund-State	\$32,541.4	(\$55.0)	\$175.9	\$32,662.2	\$120.9

*Forecast for GF-S for the 2013-15 biennium adopted March 2013

**Expected refunds: -\$55 million, impacts of new legislation: -\$12,000

[#]Details may not add due to rounding

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the June 2013 to the March 2013 Forecast
2015-17 Biennium
Millions of Dollars

	<u>March 2013 Forecast*</u>	<u>Non-economic Changes**</u>	<u>Forecast Change</u>	<u>June 2013 Forecast</u>	<u>Total Change[#]</u>
Department of Revenue	\$33,813.8	\$0.0	\$56.3	\$33,870.0	\$56.3
All other Agencies	\$1,492.5	(\$7.5)	\$2.1	\$1,487.1	(\$5.4)
Total General Fund-State	\$35,306.2	(\$7.5)	\$58.4	\$35,357.1	\$50.9

*Forecast for GF-S for the 2015-17 biennium adopted March 2013

**DOR non-economic changes: +\$18,000, other agencies: -\$7.5 million (initial estimate of transfer to Child and Family Reinvestment

[#]Details may not add due to rounding

Track Record for the 2011-13 General Fund-State Cash Forecast

February 2010 through June 2013

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2010 #	\$30,658	\$1,566				\$32,224
Changes to Forecast						
June 2010	219	(21)	197	1,661 #1	1,858	34,083
September 2010	(610)	(48)	(659)	(10) #2	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #3	(809)	32,605
March 2011	(640)	(29)	(668)	(30) #4	(698)	31,907
June 2011	(217)	(6)	(223)	40 #5	(183)	31,724
September 2011	(1403)	(24)	(1,427)	14 #6	(1,413)	30,311
November 2011	(159)	(1)	(160)	38 #7	(122)	30,188
February 2012	27	6	32	63 #8	96	30,284
June 2012	(27)	11	(16)	172 #9	156	30,440
September 2012	44	(15)	29	0	29	30,469
November 2012	29	(21)	8	0	8	30,477
March 2013	73	(14)	59	0	59	30,536
June 2013	113	(3)	110	(0) #10	110	30,647
Total change***:						
From February 2008	(3,137)	(172)	(3,308)	1,730	(1,578)	
Percent change	(10.2)	(11.0)	(10.3)	5.4	(4.9)	

Track Record for the 2013-15 General Fund-State Cash Forecast

February 2012 through June 2013

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2012 ##	\$31,110	\$1,319				\$32,428
Changes to Forecast						
June 2010	(120)	(13)	(133)	330 #9	197	32,626
September 2012	39	(15)	23	0	23	32,649
November 2012	(113)	25	(88)	0	(88)	32,561
March 2013	(38)	18	(19)	0	(19)	32,541
June 2013	156	20	176	(55) #11	121	32,662
Total change***:						
From February 2008	(76)	35	(41)	275	234	
Percent change	(0.2)	2.6	(0.1)	0.8	0.7	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

First official forecast for the 2011-13 biennium.

First official forecast for the 2013-15 biennium.

#1 Impact of 2010 legislation and budget driven revenue.

#2 Reversal of DOR RTA administrative fee

#3 Effects of Initiative 1107

#4 Effects of legislation from December 2010 session

#5 Effects of 2011 legislative and budget-driven revenue change, DOR fee change, and reduced future revenue due to 2011 amnesty program

#6 Expiration of local sales and use tax credit upon retirement of Safeco Field bonds

#7 Effects of initiative 1183 minus large DOR refund

#8 Effects of SHB 2169 plus large expected audit payment and expansion of leasehold excise tax roll

#9 Effects of legislation from 2012 special sessions subsequent to February forecast

#10 Effects of legislation from 2013 regular and first special legislative sessions

#11 Large expected DOR refund plus effects of legislation from 2013 regular and first special legislative sessions

June 2013Alternative Forecasts
Millions of Dollars

Cash Basis

2011-13 Biennium

	<u>2011-13 Biennium</u>	<u>Difference From the June 2013 Baseline</u>
June 2013 Baseline (50%)	\$30,647	
June 2013 Alternative Forecasts		
Optimistic (20%)	\$30,724	\$77
Pessimistic (30%)	\$30,573	(\$73)
Probability Weighted Average	\$30,640	(\$6)
GCEA*	\$30,657	\$10

2013-15 Biennium

	<u>2013-15 Biennium</u>	<u>Difference From the June 2013 Baseline</u>
June 2013 Baseline (50%)	\$32,662	
June 2013 Alternative Forecasts		
Optimistic (20%)	\$35,175	\$2,513
Pessimistic (30%)	\$30,184	(\$2,478)
Probability Weighted Average	\$32,421	(\$241)
GCEA*	\$32,812	\$149

* Based on the Governor's Council of Economic Advisors Assumptions.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 2013 Baseline Forecast

Source/Fiscal Year		Percentage Change		Personal Income
		Tax Base Adjusted*	Personal Income ¹	Elasticity**
I. Retail Sales				
	1996	3.0	6.0	0.5
	1997	6.7	8.6	0.8
	1998	8.0	8.4	0.9
	1999	7.1	8.0	0.9
	2000	8.0	8.9	0.9
	2001	2.8	4.3	0.6
	2002	(1.4)	1.6	(0.9)
	2003	2.1	2.4	0.9
	2004	4.6	4.4	1.1
	2005	7.9	5.4	1.5
	2006	10.1	8.2	1.2
	2007	7.9	8.5	0.9
	2008	2.7	8.3	0.3
	2009	(10.4)	0.3	(38.4)
	2010	(6.0)	(2.2)	2.8
	2011	1.8	4.8	0.4
	2012	4.1	5.1	0.8
	2013	6.0	4.3	1.4
	2014	4.4	4.0	1.1
	2015	5.0	5.1	1.0
	2016	4.6	4.8	1.0
	2017	4.6	5.0	0.9
Average 1996-2012:		3.4	5.3	0.6
II. Business & Occupation				
	1996	4.3	6.0	0.7
	1997	9.4	8.6	1.1
	1998	7.3	8.4	0.9
	1999	6.6	8.0	0.8
	2000	5.6	8.9	0.6
	2001	3.0	4.3	0.7
	2002	(3.5)	1.6	(2.2)
	2003	(1.6)	2.4	(0.7)
	2004	6.8	4.4	1.6
	2005	9.7	5.4	1.8
	2006	11.2	8.2	1.4
	2007	8.3	8.5	1.0
	2008	6.9	8.3	0.8
	2009	(8.8)	0.3	(32.6)
	2010	(2.9)	(2.2)	1.3
	2011	4.6	4.8	1.0
	2012	8.0	5.1	1.6
	2013	6.2	4.3	1.4
	2014	5.3	4.0	1.3
	2015	4.6	5.1	0.9
	2016	4.3	4.8	0.9
	2017	4.4	5.0	0.9
Average 1996-2012:		4.3	5.3	0.8

* Based on constant base taxable data.

** Percent changes in taxable activity divided by percent change in personal income.

¹ Income adjusted to exclude special dividend payment in fy 05.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

June 2013 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income ¹	
III. Use			
1996	(1.9)	6.0	(0.3)
1997	(0.7)	8.6	(0.1)
1998	4.4	8.4	0.5
1999	(0.1)	8.0	(0.0)
2000	14.4	8.9	1.6
2001	8.4	4.3	1.9
2002	(5.8)	1.6	(3.6)
2003	(1.4)	2.4	(0.6)
2004	5.6	4.4	1.3
2005	14.0	5.4	2.6
2006	2.3	8.2	0.3
2007	9.0	8.5	1.1
2008	2.1	8.3	0.3
2009	(13.0)	0.3	(48.3)
2010	(5.9)	(2.2)	2.7
2011	11.4	4.8	2.4
2012	1.9	5.1	0.4
2013	7.1	4.3	1.6
2014	4.3	4.0	1.1
2015	5.4	5.1	1.0
2016	4.8	4.8	1.0
2017	4.1	5.0	0.8
Average 1996-2012:	2.6	5.3	0.5

Total Revenue Act Receipts

June 2013 Baseline Forecast

Source/Fiscal Year	Percentage Change		Personal Income Elasticity**
	Tax Receipts [#]	Personal Income ¹	
Revenue Act 1996	1.8	6.0	0.3
1997	5.3	8.6	0.6
1998	6.3	8.4	0.7
1999	4.2	8.0	0.5
2000	7.4	8.9	0.8
2001	3.9	4.3	0.9
2002	(1.7)	1.6	(1.0)
2003	1.0	2.4	0.4
2004	4.8	4.4	1.1
2005	7.6	5.4	1.4
2006	10.6	8.2	1.3
2007	8.3	8.5	1.0
2008	4.2	8.3	0.5
2009	(9.5)	0.3	(35.2)
2010	(5.3)	(2.2)	2.5
2011	8.1	4.8	1.7
2012	1.3	5.1	0.3
2013	5.8	4.3	1.3
2014	2.5	4.0	0.6
2015	5.4	5.1	1.0
2016	4.7	4.8	1.0
2017	4.8	5.0	1.0
Average 1996-2012:	3.4	5.3	0.6

* Based on constant base taxable data.

** Percent changes in taxable activity divided by percent change in personal income.

Post-ESSB 5073 definition of Revenue Act

** Percent changes in tax receipts divided by percent change in personal income.

¹ Income adjusted to exclude special dividend payment in fy 05.

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

June 2013 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund (current definition of GF-S)		Other Near General Fund*		Total Near General Fund	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1995	\$8,551		\$248		\$8,799				\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%	\$115		\$14,432	10.7%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%
FY 2010	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$0	0.0%	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%
FY 2012	\$14,874	1.5%	\$0	0.0%	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%
Forecast:										
FY 2013	\$15,772	6.0%	\$0	0.0%	\$15,772	6.0%	\$110	-3.3%	\$15,883	6.0%
FY 2014	\$15,954	1.1%	\$0	0.0%	\$15,954	1.1%	\$126	14.4%	\$16,080	1.2%
FY 2015	\$16,709	4.7%	\$0	0.0%	\$16,709	4.7%	\$131	3.3%	\$16,839	4.7%
FY 2016	\$17,308	3.6%	\$0	0.0%	\$17,308	3.6%	\$133	2.2%	\$17,442	3.6%
FY 2017	\$18,049	4.3%	\$0	0.0%	\$18,049	4.3%	\$129	-3.2%	\$18,178	4.2%
Biennial Totals										
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%	\$381	NA	\$30,166	18.8%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%
09-11 Biennium	\$28,218	1.9%	\$0	-100.0%	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%
11-13 Biennium	\$30,647	8.6%	\$0	0.0%	\$30,647	8.6%	\$225	-16.5%	\$30,871	8.4%
13-15 Biennium	\$32,662	6.6%	\$0	0.0%	\$32,662	6.6%	\$257	14.3%	\$32,919	6.6%
15-17 Biennium	\$35,357	8.3%	\$0	0.0%	\$35,357	8.3%	\$263	2.3%	\$35,620	8.2%

*Education legacy trust fund (plus pension stabilization fund interest FY 08, 09)

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2013 and March 2013 forecasts

2011-13 Biennium

(Amounts in Millions)

Source/Agency	March 2013 Baseline	Non-Economic Changes	Economic Changes	June 2013 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$33.7	\$0.0	\$0.8	\$34.5	\$0.8
Insurance Commissioner Insurance Premiums	\$847.5	\$0.0	(\$0.6)	\$846.9	(\$0.6)
Liquor Control Board Taxes, Licenses, and Fees	\$349.2	\$0.0	(\$4.5)	\$344.8	(\$4.5)
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	(\$19.1)	\$0.0	(\$0.3)	(\$19.4)	(\$0.3)
Office of Financial Management Other Agencies	\$212.6	\$0.0	\$2.9	\$215.5	\$2.9
Administrative Office of the Courts Fines and Forfeitures	\$186.9	\$0.0	(\$1.0)	\$185.9	(\$1.0)
Total General Fund-State	\$1,610.8	\$0.0	(\$2.5)	\$1,608.2	(\$2.5)

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2013 and March 2013 forecasts

2011-13 Biennium

(Amounts in Millions)

Source/Agency	March 2013 Baseline	Non-Economic Changes	Economic Changes	June 2013 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$33.7	\$0.0	\$0.8	\$34.5	\$0.8
Insurance Commissioner Insurance Premiums	\$847.5	\$0.0	(\$0.6)	\$846.9	(\$0.6)
Liquor Control Board Taxes, Licenses, and Fees	\$349.2	\$0.0	(\$4.5)	\$344.8	(\$4.5)
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	(\$19.9)	\$0.0	\$0.1	(\$19.8)	\$0.1
Office of Financial Management Other Agencies	\$212.6	\$0.0	\$2.9	\$215.5	\$2.9
Administrative Office of the Courts Fines and Forfeitures	\$186.9	\$0.0	(\$1.0)	\$185.9	(\$1.0)
Total General Fund-State	\$1,609.9	\$0.0	(\$2.1)	\$1,607.8	(\$2.1)

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2013 and March 2013 forecasts

2013-15 Biennium

(Amounts in Millions)

Source/Agency	March 2013 Baseline	Non-Economic Changes	Economic Changes	June 2013 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$31.7	\$0.0	\$3.3	\$35.0	\$3.3
Insurance Commissioner Insurance Premiums	\$963.4	\$0.0	\$1.4	\$964.8	\$1.4
Liquor Control Board Taxes, Licenses, and Fees	\$200.8	\$0.0	\$26.2	\$227.0	\$26.2
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	(\$13.2)	\$0.0	\$1.6	(\$11.6)	\$1.6
Office of Financial Management Other Agencies	\$210.8	\$0.0	(\$7.7)	\$203.1	(\$7.7)
Administrative Office of the Courts Fines and Forfeitures	\$184.6	\$0.0	(\$5.2)	\$179.4	(\$5.2)
Total General Fund-State	\$1,578.1	\$0.0	\$19.6	\$1,597.7	\$19.6

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2013 and March 2013 forecasts

2013-15 Biennium

(Amounts in Millions)

Source/Agency	March 2013 Baseline	Non-Economic Changes	Economic Changes	June 2013 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$31.7	\$0.0	\$3.3	\$35.0	\$3.3
Insurance Commissioner Insurance Premiums	\$963.4	\$0.0	\$1.4	\$964.8	\$1.4
Liquor Control Board Taxes, Licenses, and Fees	\$200.8	\$0.0	\$26.2	\$227.0	\$26.2
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	(\$12.9)	\$0.0	\$1.6	(\$11.3)	\$1.6
Office of Financial Management Other Agencies	\$210.8	\$0.0	(\$7.7)	\$203.1	(\$7.7)
Administrative Office of the Courts Fines and Forfeitures	\$184.6	\$0.0	(\$5.2)	\$179.4	(\$5.2)
Total General Fund-State	\$1,578.3	\$0.0	\$19.7	\$1,598.0	\$19.7

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies

Comparison of the June 2013 and March 2013 forecasts

2015-17 Biennium

(Amounts in Millions)

Source/Agency	March 2013 Baseline	Non-Economic Changes	Economic Changes	June 2013 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$31.6	\$0.0	\$4.7	\$36.4	\$4.7
Insurance Commissioner Insurance Premiums	\$1,075.3	\$0.0	\$1.1	\$1,076.3	\$1.1
Liquor Control Board Taxes, Licenses, and Fees	\$195.2	\$0.0	\$9.3	\$204.6	\$9.3
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	(\$8.8)	\$0.0	\$0.1	(\$8.7)	\$0.1
Office of Financial Management Other Agencies	\$2.7	(\$7.5)	(\$7.9)	(\$12.7)	(\$15.4)
Administrative Office of the Courts Fines and Forfeitures	\$196.4	\$0.0	(\$5.2)	\$191.2	(\$5.2)
Total General Fund-State	\$1,492.5	(\$7.5)	\$2.1	\$1,487.1	(\$5.4)

General Fund-State GAAP Estimates - Other Agencies

Comparison of the June 2013 and March 2013 forecasts

2015-17 Biennium

(Amounts in Millions)

Source/Agency	March 2013 Baseline	Non-Economic Changes	Economic Changes	June 2013 Baseline	Total Changes
Department of Licensing Taxes and Fees	\$31.6	\$0.0	\$4.7	\$36.4	\$4.7
Insurance Commissioner Insurance Premiums	\$1,075.3	\$0.0	\$1.1	\$1,076.3	\$1.1
Liquor Control Board Taxes, Licenses, and Fees	\$195.2	\$0.0	\$9.3	\$204.6	\$9.3
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	(\$8.5)	\$0.0	\$0.0	(\$8.5)	\$0.0
Office of Financial Management Other Agencies	\$2.7	(\$7.5)	(\$7.9)	(\$12.7)	(\$15.4)
Administrative Office of the Courts Fines and Forfeitures	\$196.4	\$0.0	(\$5.2)	\$191.2	(\$5.2)
Total General Fund-State	\$1,492.7	(\$7.5)	\$2.0	\$1,487.3	(\$5.5)

* Detail may not total due to rounding.

Lottery transfers by fund
(Cash basis, millions of dollars)

	<u>Lottery: Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>	<u>Opportunity Pathways Account</u>	<u>Veteran's VIP Account</u>
2006	125.1	1.9	4.4	7.9	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	201.3	0.5	6.4	0.0	0.0
2010	126.4	12.9	5.1	9.2	95.6	0.3	3.3	0.0	0.0
2011	137.2	8.6	5.3	9.6	9.4	0.3	4.5	99.5	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	105.0	0.5	7.9	99.5	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.3	3.3	118.5	0.2
2013	139.2	0.0	0.0	10.4	0.0	0.3	2.9	125.6	0.0
2011-13 Biennium	274.3	0.0	2.7	20.4	0.0	0.6	6.3	244.1	0.2
2014	128.7	0.0	0.0	10.8	0.0	0.3	3.4	114.1	0.0
2015	128.6	0.0	0.0	11.2	0.0	0.3	3.5	113.6	0.0
2013-15 Biennium	257.2	0.0	0.0	22.0	0.0	0.6	6.9	227.7	0.0
2016	130.1	0.0	0.0	11.7	0.0	0.3	3.5	114.6	0.0
2017	128.8	0.0	0.0	12.2	0.0	0.3	3.5	112.9	0.0
2015-17 Biennium	258.9	0.0	0.0	23.8	0.0	0.6	6.9	227.5	0.0

* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

Lottery transfers by fund
(GAAP basis, millions of dollars)

	<u>Lottery: Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>	<u>Opportunity Pathways Account</u>	<u>Veteran's VIP Account</u>
2006	125.1	1.9	4.4	7.9	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	201.3	0.5	6.4	0.0	0.0
2010	129.4	12.9	5.1	9.2	97.4	0.3	4.6	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.3	3.7	112.3	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	97.4	0.5	8.3	112.3	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.3	3.0	121.8	0.2
2013	133.0	0.0	0.0	10.4	0.0	0.3	3.3	119.0	0.0
2011-13 Biennium	271.0	0.0	2.7	20.4	0.0	0.6	6.2	240.9	0.2
2014	128.5	0.0	0.0	10.8	0.0	0.3	3.5	113.9	0.0
2015	128.5	0.0	0.0	11.2	0.0	0.3	3.5	113.5	0.0
2013-15 Biennium	257.0	0.0	0.0	22.0	0.0	0.6	6.9	227.4	0.0
2016	130.3	0.0	0.0	11.7	0.0	0.3	3.5	114.8	0.0
2017	128.9	0.0	0.0	12.2	0.0	0.3	3.5	113.0	0.0
2015-17 Biennium	259.2	0.0	0.0	23.8	0.0	0.6	6.9	227.8	0.0

* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

Year-Over-Year Employment Growth by Industry (April 2012 to April 2013) Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	61.0	2.1%	1.6%
Construction	8.5	6.2%	2.9%
Aerospace Product and Parts Manufacturing	3.7	4.0%	NA
Leisure and Hospitality	9.0	3.3%	2.7%
Professional and Business Services	10.0	2.9%	3.4%
Retail Trade	9.0	2.8%	1.7%
Manufacturing Excluding Aerospace	4.4	2.4%	NA
Wholesale Trade	2.4	2.0%	1.6%
Mining and Logging	0.1	2.0%	1.5%
Information Excluding Software	1.0	1.8%	NA
Software Publishers	0.9	1.8%	NA
Financial Activities	2.4	1.7%	1.3%
Transportation, Warehousing and Utilities	1.4	1.5%	1.7%
Education and Health Services	5.2	1.4%	1.8%
State and Local Gov Education	2.6	1.1%	0.0%
Other Services	0.6	0.5%	0.9%
State and Local Gov Non-Education	0.1	0.1%	-0.2%
Information	1.9	1.8%	0.4%
Manufacturing	8.1	2.9%	0.7%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics

U.S. Forecast Comparison

	2013Q1	2013Q2	2013Q3	2013Q4
Real GDP (2005 USD billions)				
June Forecast, Final	13,746	13,809	13,890	13,981
Percent Change	2.4%	1.8%	2.4%	2.7%
June Forecast, Preliminary	13,750	13,812	13,894	13,986
Percent Change	2.5%	1.8%	2.4%	2.7%
Real Consumption (2005 USD billions)				
June Forecast, Final	9,745	9,790	9,845	9,906
Percent Change	3.4%	1.9%	2.2%	2.5%
June Forecast, Preliminary	9,740	9,788	9,844	9,904
Percent Change	3.2%	2.0%	2.3%	2.5%
Implicit Price Deflator, PCE (2005=1.00)				
June Forecast, Final	1.167	1.167	1.171	1.175
Percent Change	1.0%	-0.1%	1.5%	1.4%
June Forecast, Preliminary	1.167	1.167	1.172	1.176
Percent Change	0.9%	0.0%	1.6%	1.6%
Real Personal Income (2005 USD billions)				
June Forecast, Final	11,656	11,760	11,843	11,944
Percent Change	-5.6%	3.6%	2.9%	3.4%
June Forecast, Preliminary	11,622	11,731	11,809	11,915
Percent Change	-4.0%	3.8%	2.7%	3.7%
Nonfarm Payroll Employment (Millions)				
June Forecast, Final	135.1	135.7	136.1	136.7
Percent Change	1.9%	1.6%	1.4%	1.5%
June Forecast, Preliminary	135.1	135.7	136.1	136.5
Percent Change	1.9%	1.6%	1.2%	1.3%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	7.7	7.5	7.5	7.5
June Forecast, Preliminary	7.7	7.5	7.5	7.5
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Final	3.5	3.5	3.7	3.8
June Forecast, Preliminary	3.5	3.4	3.4	3.5
3 Month T-Bill Rate (Percent, average)				
June Forecast, Final	0.1	0.1	0.1	0.1
June Forecast, Preliminary	0.1	0.1	0.1	0.1

	2011	2012	2013	2014	2015	2016	2017
	13,299	13,593	13,857	14,223	14,664	15,089	15,512
	1.8%	2.2%	1.9%	2.6%	3.1%	2.9%	2.8%
	13,299	13,593	13,861	14,229	14,670	15,096	15,518
	1.8%	2.2%	2.0%	2.7%	3.1%	2.9%	2.8%
	9,429	9,603	9,822	10,069	10,341	10,621	10,897
	2.5%	1.9%	2.3%	2.5%	2.7%	2.7%	2.6%
	9,429	9,603	9,819	10,065	10,337	10,616	10,892
	2.5%	1.9%	2.2%	2.5%	2.7%	2.7%	2.6%
	1.138	1.158	1.170	1.187	1.204	1.222	1.239
	2.4%	1.8%	1.0%	1.5%	1.4%	1.5%	1.4%
	1.138	1.158	1.170	1.189	1.206	1.224	1.242
	2.4%	1.8%	1.1%	1.6%	1.5%	1.5%	1.4%
	11,378	11,599	11,800	12,209	12,593	13,000	13,435
	2.6%	1.9%	1.7%	3.5%	3.1%	3.2%	3.3%
	11,378	11,579	11,769	12,177	12,566	12,973	13,402
	2.6%	1.8%	1.6%	3.5%	3.2%	3.2%	3.3%
	131.5	133.7	135.9	138.0	140.4	142.8	144.8
	1.2%	1.7%	1.6%	1.6%	1.7%	1.7%	1.4%
	131.5	133.7	135.8	137.9	140.3	142.8	144.7
	1.2%	1.7%	1.6%	1.5%	1.8%	1.7%	1.4%
	8.9	8.1	7.6	7.2	6.7	6.3	6.0
	8.9	8.1	7.6	7.2	6.6	6.2	5.9
	4.5	3.7	3.6	4.2	4.8	5.7	6.3
	4.5	3.7	3.5	3.9	4.6	5.5	6.2
	0.1	0.1	0.1	0.1	0.3	2.0	3.6
	0.1	0.1	0.1	0.1	0.2	1.7	3.4

U.S. Forecast Comparison

	2013Q1	2013Q2	2013Q3	2013Q4
Real GDP (2005 USD billions)				
June Forecast, Final	13,746	13,809	13,890	13,981
Percent Change	2.4%	1.8%	2.4%	2.7%
March Forecast	13,729	13,797	13,883	13,977
Percent Change	2.1%	2.0%	2.5%	2.7%
Real Consumption (2005 USD billions)				
June Forecast, Final	9,745	9,790	9,845	9,906
Percent Change	3.4%	1.9%	2.2%	2.5%
March Forecast	9,708	9,751	9,806	9,865
Percent Change	1.6%	1.8%	2.3%	2.4%
Implicit Price Deflator, PCE (2005=1.00)				
June Forecast, Final	1.167	1.167	1.171	1.175
Percent Change	1.0%	-0.1%	1.5%	1.4%
March Forecast	1.166	1.170	1.175	1.179
Percent Change	0.9%	1.1%	1.7%	1.4%
Real Personal Income (2005 USD billions)				
June Forecast, Final	11,656	11,760	11,843	11,944
Percent Change	-5.6%	3.6%	2.9%	3.4%
March Forecast	11,609	11,730	11,840	11,939
Percent Change	-4.4%	4.3%	3.8%	3.4%
Nonfarm Payroll Employment (Millions)				
June Forecast, Final	135.1	135.7	136.1	136.7
Percent Change	1.9%	1.6%	1.4%	1.5%
March Forecast	135.0	135.6	136.0	136.6
Percent Change	1.7%	1.6%	1.3%	1.9%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	7.7	7.5	7.5	7.5
March Forecast	7.7	7.7	7.6	7.5
30 Year Fixed Mortgage Rate (Percent, average)				
June Forecast, Final	3.5	3.5	3.7	3.8
March Forecast	3.5	3.5	3.6	3.6
3 Month T-Bill Rate (Percent, average)				
June Forecast, Final	0.1	0.1	0.1	0.1
March Forecast	0.1	0.1	0.1	0.1

	2011	2012	2013	2014	2015	2016	2017
	13,299	13,593	13,857	14,223	14,664	15,089	15,512
	1.8%	2.2%	1.9%	2.6%	3.1%	2.9%	2.8%
	13,299	13,591	13,846	14,218	14,659	15,084	15,506
	1.8%	2.2%	1.9%	2.7%	3.1%	2.9%	2.8%
	9,429	9,603	9,822	10,069	10,341	10,621	10,897
	2.5%	1.9%	2.3%	2.5%	2.7%	2.7%	2.6%
	9,429	9,605	9,783	10,024	10,294	10,571	10,845
	2.5%	1.9%	1.9%	2.5%	2.7%	2.7%	2.6%
	1.138	1.158	1.170	1.187	1.204	1.222	1.239
	2.4%	1.8%	1.0%	1.5%	1.4%	1.5%	1.4%
	1.138	1.158	1.172	1.192	1.211	1.231	1.250
	2.4%	1.8%	1.3%	1.7%	1.6%	1.6%	1.6%
	11,378	11,599	11,800	12,209	12,593	13,000	13,435
	2.6%	1.9%	1.7%	3.5%	3.1%	3.2%	3.3%
	11,378	11,578	11,780	12,185	12,560	12,963	13,393
	2.6%	1.8%	1.7%	3.4%	3.1%	3.2%	3.3%
	131.5	133.7	135.9	138.0	140.4	142.8	144.8
	1.2%	1.7%	1.6%	1.6%	1.7%	1.7%	1.4%
	131.5	133.7	135.8	138.0	140.5	143.0	144.9
	1.2%	1.7%	1.6%	1.6%	1.8%	1.8%	1.4%
	8.9	8.1	7.6	7.2	6.7	6.3	6.0
	8.9	8.1	7.6	7.2	6.7	6.2	5.9
	4.5	3.7	3.6	4.2	4.8	5.7	6.3
	4.5	3.7	3.5	4.0	4.7	5.7	6.5
	0.1	0.1	0.1	0.1	0.3	2.0	3.6
	0.1	0.1	0.1	0.1	0.2	1.7	3.4

Washington Forecast Comparison

	2013Q1	2013Q2	2013Q3	2013Q4
Real Personal Income (2005 USD billions)				
June Forecast, Final	272.9	276.0	278.4	280.7
Percent Change	-5.9%	4.6%	3.6%	3.3%
June Forecast, Preliminary	273.7	276.9	279.2	281.6
Percent Change	-4.8%	4.7%	3.3%	3.5%
Personal Income (USD billions)				
June Forecast, Final	318.5	322.0	326.0	329.9
Percent Change	-4.9%	4.4%	5.1%	4.8%
June Forecast, Preliminary	319.4	323.1	327.1	331.2
Percent Change	-3.9%	4.7%	5.0%	5.2%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Final	2912	2921	2932	2944
Percent Change	2.1%	1.2%	1.5%	1.7%
June Forecast, Preliminary	2913	2922	2931	2942
Percent Change	2.1%	1.4%	1.3%	1.5%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	7.4	6.9	6.9	6.9
June Forecast, Preliminary	7.4	7.0	7.0	6.9
Manufacturing Employment (Thousands)				
June Forecast, Final	285.4	285.3	285.4	286.1
Percent Change	1.8%	-0.1%	0.1%	0.9%
June Forecast, Preliminary	285.4	284.9	285.0	285.5
Percent Change	1.8%	-0.6%	0.1%	0.7%
Construction Employment (Thousands)				
June Forecast, Final	145.1	146.4	148.1	150.0
Percent Change	7.0%	3.5%	4.7%	5.2%
June Forecast, Preliminary	145.2	146.8	148.6	150.5
Percent Change	7.0%	4.7%	5.0%	5.2%
Housing Permits (Thousands)				
June Forecast, Final	36.0	30.6	32.4	33.4
Percent Change	83.1%	-48.1%	25.2%	14.1%
June Forecast, Preliminary	36.0	30.6	32.2	33.2
Percent Change	83.1%	-48.1%	22.8%	13.2%

	2011	2012	2013	2014	2015	2016	2017
	263.4	271.7	277.0	287.3	296.9	307.0	318.0
	3.2%	3.2%	1.9%	3.7%	3.4%	3.4%	3.6%
	263.4	271.7	277.8	288.0	298.0	308.2	319.1
	3.2%	3.2%	2.2%	3.7%	3.5%	3.4%	3.5%
	299.7	314.6	324.1	341.1	357.6	375.2	394.2
	5.8%	5.0%	3.0%	5.3%	4.8%	4.9%	5.1%
	299.7	314.6	325.2	342.4	359.5	377.3	396.3
	5.8%	5.0%	3.3%	5.3%	5.0%	5.0%	5.0%
	2825	2873	2928	2978	3036	3091	3135
	1.3%	1.7%	1.9%	1.7%	1.9%	1.8%	1.4%
	2825	2873	2927	2977	3037	3093	3137
	1.3%	1.7%	1.9%	1.7%	2.0%	1.8%	1.4%
	9.2	8.2	7.0	6.7	6.2	5.9	5.7
	9.2	8.2	7.1	6.7	6.2	5.9	5.6
	268.6	280.3	285.5	289.4	292.7	295.6	296.9
	4.1%	4.3%	1.9%	1.3%	1.1%	1.0%	0.4%
	268.6	280.3	285.2	289.9	294.8	297.8	299.0
	4.1%	4.3%	1.7%	1.6%	1.7%	1.0%	0.4%
	136.4	139.0	147.4	155.7	167.5	177.8	184.6
	-3.1%	1.9%	6.1%	5.7%	7.5%	6.2%	3.8%
	136.4	139.0	147.8	156.7	168.7	179.0	185.4
	-3.1%	1.9%	6.3%	6.0%	7.7%	6.1%	3.6%
	20.9	28.1	33.1	36.1	41.0	42.4	42.2
	0.8%	34.8%	17.7%	9.0%	13.6%	3.5%	-0.4%
	20.9	28.1	33.0	36.0	41.1	42.7	42.5
	0.8%	34.8%	17.4%	9.2%	13.9%	4.1%	-0.5%

Washington Forecast Comparison

	2013Q1	2013Q2	2013Q3	2013Q4
Real Personal Income (2005 USD billions)				
June Forecast, Final	272.9	276.0	278.4	280.7
Percent Change	-5.9%	4.6%	3.6%	3.3%
March Forecast	270.7	274.7	277.4	279.8
Percent Change	-5.7%	6.1%	3.9%	3.6%
Personal Income (USD billions)				
June Forecast, Final	318.5	322.0	326.0	329.9
Percent Change	-4.9%	4.4%	5.1%	4.8%
March Forecast	315.8	321.3	325.8	329.8
Percent Change	-4.9%	7.2%	5.7%	5.1%
Nonfarm Payroll Employment (Thousands)				
June Forecast, Final	2912	2921	2932	2944
Percent Change	2.1%	1.2%	1.5%	1.7%
March Forecast	2905	2918	2929	2943
Percent Change	2.1%	1.8%	1.4%	2.0%
Unemployment Rate (Percent of Labor Force)				
June Forecast, Final	7.4	6.9	6.9	6.9
March Forecast	7.4	7.3	7.3	7.2
Manufacturing Employment (Thousands)				
June Forecast, Final	285.4	285.3	285.4	286.1
Percent Change	1.8%	-0.1%	0.1%	0.9%
March Forecast	286.4	287.9	289.0	289.6
Percent Change	2.7%	2.2%	1.4%	0.8%
Construction Employment (Thousands)				
June Forecast, Final	145.1	146.4	148.1	150.0
Percent Change	7.0%	3.5%	4.7%	5.2%
March Forecast	142.6	144.0	145.7	147.4
Percent Change	5.1%	4.1%	4.8%	4.7%
Housing Permits (Thousands)				
June Forecast, Final	36.0	30.6	32.4	33.4
Percent Change	83.1%	-48.1%	25.2%	14.1%
March Forecast	33.7	31.8	32.2	32.5
Percent Change	39.0%	-20.0%	4.7%	3.4%

	2011	2012	2013	2014	2015	2016	2017
	263.4	271.7	277.0	287.3	296.9	307.0	318.0
	3.2%	3.2%	1.9%	3.7%	3.4%	3.4%	3.6%
	263.4	271.3	275.7	286.0	295.6	305.8	316.9
	3.2%	3.0%	1.6%	3.8%	3.4%	3.5%	3.6%
	299.7	314.6	324.1	341.1	357.6	375.2	394.2
	5.8%	5.0%	3.0%	5.3%	4.8%	4.9%	5.1%
	299.7	314.1	323.2	340.9	358.1	376.4	396.2
	5.8%	4.8%	2.9%	5.5%	5.0%	5.1%	5.3%
	2825	2873	2928	2978	3036	3091	3135
	1.3%	1.7%	1.9%	1.7%	1.9%	1.8%	1.4%
	2825	2871	2924	2978	3038	3095	3140
	1.3%	1.6%	1.8%	1.9%	2.0%	1.9%	1.5%
	9.2	8.2	7.0	6.7	6.2	5.9	5.7
	9.2	8.2	7.3	7.0	6.5	6.1	5.9
	268.6	280.3	285.5	289.4	292.7	295.6	296.9
	4.1%	4.3%	1.9%	1.3%	1.1%	1.0%	0.4%
	268.6	280.4	288.2	292.9	297.5	301.5	304.0
	4.1%	4.4%	2.8%	1.6%	1.6%	1.3%	0.8%
	136.4	139.0	147.4	155.7	167.5	177.8	184.6
	-3.1%	1.9%	6.1%	5.7%	7.5%	6.2%	3.8%
	136.4	138.4	144.9	153.6	165.9	176.6	183.1
	-3.1%	1.5%	4.7%	6.0%	8.0%	6.4%	3.7%
	20.9	28.1	33.1	36.1	41.0	42.4	42.2
	0.8%	34.8%	17.7%	9.0%	13.6%	3.5%	-0.4%
	20.9	28.1	32.6	34.9	39.3	41.8	42.3
	0.8%	34.7%	15.9%	7.2%	12.5%	6.5%	1.2%

2011-13 Enacted Budget Balance Sheet
Including 2012 Supplemental Budget and 2013 Enacted Legislation
General Fund-State (and Budget Stabilization Account)
Dollars in Millions

RESOURCES	
Beginning Fund Balance	(92.0)
March 2013 Forecast	30,536.2
June 2013 Update	110.3
Current Revenue Totals	30,646.6
Transfer to Budget Stabilization Account	(267.7)
Other Enacted Fund Transfers (including SSB 5287)	378.8
Alignment to the Comprehensive Financial Statements	1.5
Adjustment to Working Capital (HB 2822)	238.0
Total Resources (including beginning fund balance)	30,905.2
EXPENDITURES	
2011-13 Enacted Budgets	
Enacted 2011-13 Budget (including 2012 supplementals)	30,796.4
Actual Reversions in Fiscal Year 2012	(105.9)
Assumed Reversions in Fiscal Year 2013	(60.0)
Total Expenditures	30,630.5
RESERVES	
Projected General Fund Ending Balance	274.6
Budget Stabilization Account Beginning Balance	0.6
Transfer from General Fund and Interest Earnings	267.8
Projected Budget Stabilization Account Ending Balance	268.4
Total Reserves (General Fund plus Budget Stabilization)	543.0